

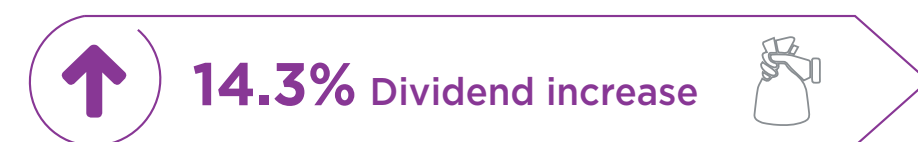
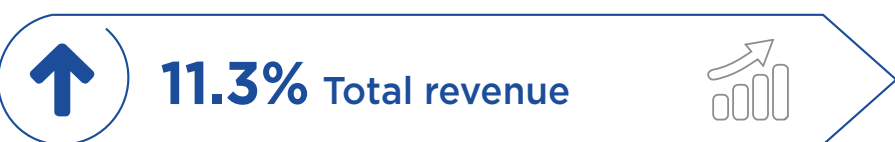


# AfroCentric GROUP



## Summary of audited annual results for the year ended 30 June 2018

### Dividend declaration and cautionary announcement



#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>2 306 326</b>	<b>1 927 272</b>
Property and equipment	255 076	179 731
Land and buildings (NOTE 1)	120 573	31 973
Investment property	15 418	15 418
Goodwill (NOTE 2)	883 488	855 436
Intangible assets (NOTE 2)	855 598	608 310
Available for sale investment	9 000	18 444
Listed investment (NOTE 3)	–	36 296
Managed funds and deposits (NOTE 4)	65 028	59 976
Investment in associates	56 935	38 823
Deferred income tax assets	45 210	82 865
<b>Current assets</b>	<b>823 735</b>	<b>1 141 608</b>
Trade and other receivables	348 527	320 236
Inventory	83 532	73 376
Current tax asset	20 768	25 235
Receivables from associates and joint venture	5 740	13 388
Managed funds and deposits (NOTE 4)	152 250	347 635
Cash and cash equivalents (NOTE 4)	212 918	361 738
<b>Total assets</b>	<b>3 130 061</b>	<b>3 068 880</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>1 940 614</b>	<b>1 793 694</b>
Issued ordinary share capital	18 686	18 686
Share premium	999 058	999 058
Share-based payment reserve (NOTE 8)	3 501	–
Treasury shares	(2 324)	(2 324)
Sanlam capital contribution (NOTE 9)	55 874	–
Foreign currency translation reserve	793	3 454
Distributable reserve	865 026	774 820
Non-controlling interest	679 277	585 359
<b>Total equity</b>	<b>2 619 891</b>	<b>2 379 053</b>
<b>Non-current liabilities</b>	<b>153 860</b>	<b>135 778</b>
Deferred income tax liabilities	121 667	100 627
Non-current provisions	8 350	8 350
Post-employment medical obligations	2 665	2 771
Deferred payment	5 263	5 051
Accrual for straight lining of leases	15 915	18 979
<b>Current liabilities</b>	<b>356 310</b>	<b>554 049</b>
Provisions	8 597	8 947
Second tranche payment (NOTE 5)	–	194 475
Trade and other payables	284 029	264 394
Taxation	13 729	–
Employment benefit provisions	49 955	86 233
<b>Total liabilities</b>	<b>510 170</b>	<b>689 827</b>
<b>Total equity and liabilities</b>	<b>3 130 061</b>	<b>3 068 880</b>

**NOTE 1**  
The increase in the value of land and buildings reflects the cost of the new warehouse acquired to accommodate the growth and expansion of trade by Pharmacy Direct.

**NOTE 2**

	Carrying value 2018	Carrying value 2017	Amortisation 2018	Amortisation 2017
<b>Goodwill</b>	<b>883 488</b>	<b>855 436</b>	<b>–</b>	<b>–</b>
Goodwill – AfroCentric Health	409 534	381 482	–	–
Goodwill – WAD Acquisition	473 954	473 954	–	–
<b>Intangible assets</b>	<b>855 598</b>	<b>608 310</b>	<b>(89 603)</b>	<b>(86 450)</b>
AfroCentric Health intangible PPA	35 226	12 038	(4 992)	(3 908)
Customer relationships – WAD Acquisition	63 385	72 333	(8 948)	(8 948)
AfroCentric Health intangible Software	181 105	124 251	(31 087)	(26 293)
AfroCentric Health Nexus	283 111	213 351	(20 058)	(26 295)
AfroCentric Health Fusion	150 918	99 024	–	–
Insurance Fraud Manager (Fraud Management Software)	141 853	87 313	(24 518)	(21 006)

**NOTE 3**  
The decrease in value arises as a result of the sale of shares in Jasco Electronic Holdings Limited.

**NOTE 4**

	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
<b>Total Group Cash Resources</b>		
Cash and Cash Equivalents	212 918	361 738
Managed funds and deposits (current)	152 250	347 635
Total current cash, managed funds and deposits	365 168	709 373
Managed funds and deposits (non current)	65 028	59 976
<b>Total managed funds and deposits</b>	<b>430 196</b>	<b>769 349</b>

**NOTE 5**  
The second tranche payment relating to the WAD Asset acquisition was settled during the year.

**NOTE 6**  
Given the fulfilment of the Sanlam warranty, the conditional put option reserve was written back to capital and reserves.

**NOTE 7**  
The Sanlam subscription agreement provided for an indemnity in the event that the costs of the Fusion IT system, then in progress, exceeded certain limits. Indemnity payments relate to such costs in excess of the indemnity threshold.

**NOTE 8**  
This relates to the new long term incentive share award plan that was implemented in the current financial year.

**NOTE 9**  
Capital contribution by Sanlam, relating to the WAD second tranche payment, in order to retain their non-controlling level of ownership in ACT Healthcare Assets.

#### SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
<b>Net cash inflow from operating activities</b>	<b>290 519</b>	<b>205 188</b>
Cash generated from operations	552 695	450 887
Net finance income	34 869	38 860
Distribution to shareholders	(217 857)	(176 754)
Dividend received	5 209	5 010
Tax and other payments	(84 397)	(112 815)
<b>Net cash outflow from investing activities</b>	<b>(298 077)</b>	<b>(212 945)</b>
Net additions to property and equipment	(212 666)	(68 802)
Net additions to intangible assets	(310 845)	(178 020)
Net disposal of financial assets, investments and subsidiaries	218 166	27 943
Repayment of loan by associate	7 266	5 934
<b>Net cash outflow from financing activities</b>	<b>(138 601)</b>	<b>–</b>
Net second tranche settlement	(138 601)	–
Effect of foreign exchange benefit	(2 661)	(3 573)
<b>Net increase in cash and cash equivalents</b>	<b>(148 820)</b>	<b>(11 330)</b>
Cash and cash equivalents at beginning of the period	361 738	373 068
<b>Cash and cash equivalents at end of the period (NOTE 4)</b>	<b>212 918</b>	<b>361 738</b>

#### SEGMENTAL ANALYSIS

	Revenue %	Profit before tax %	Audited year ended 30 June 2018			Audited year ended 30 June 2017		
			Revenue R'000	Profit before tax R'000	Total assets R'000	Revenue R'000	Profit before tax R'000	Total assets R'000
Healthcare SA		7.7	2 788 428	225 986*	3 376 318	2 378 130	209 843*	3 435 646
Healthcare Africa**		22.9	184 910	57 302	144 233	184 443	46 636	112 401
Healthcare Retail***		30.6	1 230 421	88 806	437 952	1 069 435	67 990	353 504
<b>Total Healthcare</b>			<b>4 203 759</b>	<b>372 094</b>	<b>3 958 503</b>	<b>3 632 008</b>	<b>324 469</b>	<b>3 901 551</b>
Information technology		87.7	580 845	168 779*	511 217	561 021	89 922*	420 138
Other (including inter-segment elimination)			(571 899)	(2 427)	(1 339 659)	(408 328)	(47 734)	(1 252 809)
	11.3		<b>4 212 705</b>	<b>538 446</b>	<b>3 130 061</b>	<b>3 784 701</b>	<b>366 657</b>	<b>3 068 880</b>

\* The change in the profit before tax is a result of a modification in the IT fee structure between the wholly owned subsidiaries, Medscheme and Helios.  
\*\* Healthcare Africa relates to our businesses in Swaziland, Namibia, Zimbabwe, Botswana and Mauritius.  
\*\*\* Healthcare Retail relates to the pharmaceutical businesses of Pharmacy Direct, Curasana Wholesaler and 26% interest in Activo Health.

#### SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	% change	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
Healthcare services revenue	9.8	2 982 284	2 715 266
Healthcare services operating costs	9.7	(2 433 582)	(2 219 292)
<b>Healthcare service operating profit</b>	<b>10.6</b>	<b>548 702</b>	<b>495 974</b>
Healthcare retail revenue		1 230 421	1 069 435
Healthcare retail cost of sales		(914 305)	(836 734)
<b>Healthcare retail gross profit</b>	<b>35.8</b>	<b>316 116</b>	<b>232 701</b>
Healthcare retail operating costs		(241 732)	(164 566)
<b>Total healthcare operating profit</b>	<b>10.5</b>	<b>623 086</b>	<b>564 109</b>
Loss on sale of investments		(2 717)	–
Impairment of assets		(1 667)	(19 851)
Net finance and investment income		43 481	16 106
– Finance and investment income		55 081	63 658
– Fair value loss in listed investment		(9 738)	(885)
– Finance costs: Conditional put option (NOTE 6)		–	(45 906)
– Finance costs		(1 862)	(761)
Share-based payment expense		(3 501)	(2 096)
Fair value of second tranche consideration (NOTE 5)		–	(59 582)
Indemnity expense (NOTE 7)		(3 150)	(14 787)
Share of associate profits		23 626	14 306
<b>Profit before depreciation and amortisation</b>	<b>36.3</b>	<b>679 158</b>	<b>498 205</b>
Depreciation		(51 109)	(45 098)
Amortisation of intangible assets (NOTE 2)		(89 603)	(86 450)
<b>Profit before taxation</b>	<b>46.9</b>	<b>538 446</b>	<b>366 657</b>
Taxation expense		(153 544)	(146 616)
<b>Profit for the year after taxation</b>		<b>384 902</b>	<b>220 041</b>
Other comprehensive (loss)/income		(2 753)	(3 778)
<b>Comprehensive net income for the year</b>	<b>76.7</b>	<b>382 149</b>	<b>216 263</b>
<b>Attributable to:</b>			
Equity holders of the Parent	122.9	253 858	113 891
Non-controlling interest	25.3	128 291	102 372
		<b>382 149</b>	<b>216 263</b>

#### SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
<b>Balance at beginning of the period</b>	<b>2 379 053</b>	<b>1 563 582</b>
Share-based awards reserve	3 501	2 096
Distributions to shareholders	(166 313)	(144 138)
Net profit for the period	253 858	113 891
Transferred to conditional put option reserve	–	45 906
Conditional put option reserve (NOTE 6)	–	(45 906)
Profit attributable to minorities	128 291	102 372
Sanlam capital contribution (NOTE 9)	55 874	–
Conditional put option obligation reversal (NOTE 6)	–	773 866
Conditional put option obligation 2017 balance	–	727 960
Conditional put option finance obligation	–	45 906
Recognition of attributable non-controlling interest on Tendahealth, Klinnika and Essential Group	17 171	–
Distributions to non-controlling interests	(51 544)	(32 616)
<b>Balance at end of the period</b>	<b>2 619 891</b>	<b>2 379 053</b>

#### EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS

	% change	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
Number of ordinary shares in issue		554 377 328	554 377 328
Weighted average number of ordinary shares		554 377 328	554 377 328
Weighted average number of shares for diluted EPS		558 667 328	554 377 328
<b>Basic earnings</b>		<b>256 611</b>	<b>117 669</b>
Adjusted by:		<b>4 305</b>	<b>6 169</b>
– Reversal of impairment		1 285	16 640
– Reversal of fair value gains		–	(418)
– Loss on disposal of assets		3 428	681
Total tax adjustments		1 325	(97)
Total non-controlling interest adjustments		(1 733)	(10 637)
<b>Headline earnings</b>	<b>110.7</b>	<b>260 916</b>	<b>123 838</b>
<b>Earnings per share (cents)</b>			
– Attributable to ordinary shares (cents)	118.0	46.29	21.23
– Fully Diluted EPS (cents)		45.93	21.23
<b>Headline earnings per share (cents)</b>			
– Attributable to ordinary shares (cents)	110.7	47.06	22.34
– Fully Diluted HEPS (cents)		46.70	22.34

#### NORMALISED EARNINGS (NON IFRS MEASURE)

	% change	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
<b>Headline earnings</b>		<b>260 916</b>	<b>123 838</b>
Adjusted by:		<b>3 150</b>	<b>120 275</b>
– Conditional put option finance obligation (NOTE 6)		–	45 906
– fair value on second tranche consideration (NOTE 5)		–	59 582
– Sanlam indemnity expense (NOTE 7)		3 150	14 787
Normalised Headline earnings	8.2	264 066	244 113
<b>Normalised Headline earnings per share (cents)</b>			
– Attributable to ordinary shares (cents)	8.2	47.63	44.03
– Fully Diluted HEPS (cents)		47.27	44.03

The adjusting amounts have no tax and non-controlling interest implications.

#### COMMENTARY

**INTRODUCTION TO THE AFROCENTRIC GROUP**  
AfroCentric is a black-owned JSE listed investment holding company which operates in and provides specialised services to the public and private healthcare sectors. AfroCentric has and continues to maintain its deliberate objective of being the leading exemplar of transformation and empowerment in the South African healthcare sector.

AfroCentric's principal subsidiary is Medscheme, which provides cost-effective and professional healthcare administration and managed care services to the growing memberships of its renowned institutional, corporate and government Medical Scheme clients, with lives presently under management, approximately 3 700 000. The Group is also heavily invested in other essential segments of the public and private healthcare markets in South Africa, with rapidly expanding activity and application in its pharmaceutical wholesale supply, its chronic medication distribution network, specialised disease management, information technology (IT) solutions, transactional switching, fraud detection and not least, the development and marketing of tailored health and insurance solutions and products, partnership with SANLAM.

The Board is therefore pleased to present a summary of the solid AfroCentric Audited Results for the year ended 30 June 2018, a period characterised by improved new business generation, certain pertaining to acquisitions and operative developments, which inter alia, included the ongoing consolidation, rationalisation and cost saving measures within all Group enterprises. We are also able to report, that all Group divisions and enterprises made a positive contribution to Group operations and earnings. The prior and continuing investment in system development and increased IT capacity, has already contributed favourably towards the current year results, anticipating repeated cost savings, through greater scale and procedural efficiencies into the 2019 financial year and beyond.

**ACCOUNTING POLICIES AND BASIS OF PREPARATION**  
The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements.

The Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

#### AFROCENTRIC CORPORATE HIGHLIGHTS IN 2018

AfroCentric proudly advised that during the year under review:  
• AfroCentric Health (Pty) Ltd, a core operating subsidiary within the Group, achieved a level 2 B-BBEE status for the sixth consecutive year.  
• Medscheme was awarded the "Titanium Award for Service Excellence", at the 2018 BHF Titanium Awards ceremony.  
• AfroCentric was awarded the "Diversity in the Workplace Award" at the 15th Annual National Business Awards ceremony.

#### FINANCIAL PERFORMANCE

Profit before tax increased by 46.9% for the period under review amounting to R538.4 million (2017: R366.7 million). Profit after tax (PAT) increased by 74.9%, a satisfying and positive result delivered through great effort and efficient management control. Earnings per share (EPS) increased in this period by 118.0% and headline earnings per share (HEPS), increased by 110.7%. For a better appreciation of the above earnings statistics, Shareholder attention is drawn to the two IFRS provisions in the June 2017 Income Statement, one provision relating to the Sanlam warrant and the second provision relating to the second tranche payment for the WAD acquisition. Both of these corporate matters were successfully concluded during the reporting period, making past IFRS provisions in each case no longer relevant or applicable. Absent the aforesaid provisions, EPS and HEPS now reveals a realistic measurement of the performance of the AfroCentric Group.

#### DEVELOPMENTS

Given the years of debate surrounding National Health Insurance (NHI), including factors presently being considered by the Health Market Inquiry into the Private Healthcare Sector, AfroCentric have for some time been giving consideration to the creation of a platform model to establish a value chain of healthcare diagnosis, treatments, pharma and medical services, to optimise the purchasing power of the healthcare Rand.

The research dictated a concept through models of integration